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SUBJECT: GEORGIA BI-WEEKLY UPDATE NOVEMBER 30

REF: TBILISI 2964

¶1. This cable contains current items of political, economic, and social interest concerning Georgia during the weeks of November 10-30.

Last Russian Troops Leave Batumi

¶2. On November 15, the last train cars loaded with military equipment left the Russian military base in Batumi, marking the closure of the final Russian military facility in government-controlled Georgia. The transfer was finalized ahead of schedule, as the Russians had committed to complete withdrawal in 2008. The Russian Foreign Ministry stressed this fact in its public comments, noting that Russia had fulfilled its pledge despite what it called Tbilisi's heightened anti-Russian policies. In Georgia the long-awaited departure passed almost unnoticed, overshadowed by the internal political turmoil. In the past, Georgian officials have indicated that they intend to develop the former base, which includes a significant stretch of Black Sea coastline, by building hotels and other tourist facilities.

Last Minute Change in Education Minister Candidate

¶3. Parliament approved a new Prime Minister and a slightly "refreshed" Cabinet of Ministers November 22 (reftel), but the cabinet included one late change from the nominees initially announced November 19. One November 21, Deputy Education Minister Bela Tsipuria was replaced as the nominee for Education Minister by Maia Miminoshvili, Head of the National Assessment and Examination Center, which is also part of the Education Ministry. Tsipuria told journalists that she did not want to abandon the ongoing projects in the Ministry she was supervising. The new Minister of Education Miminoshvili holds a PhD in physics and mathematics and is a Ministry insider who successfully managed the reform of nation-wide university enrollment started in 2005. Miminoshvili said on her confirmation day that she would "ensure the continuity of reforms" launched under the previous Minister Lomaia.

Turkey, Georgia, and Azerbaijan Launch Rail Construction

¶4. The presidents of Georgia, Azerbaijan and Turkey attended a groundbreaking ceremony for construction of the Georgian section (Akhalkalaki-Kars) of the railway link between Azerbaijan and Turkey on November 21 in the village of Marabda, Georgia. The project is expected to facilitate trade and tourism along the Caucasus, attract rail cargo from the Central Asia, open an alternative route to Trans-Siberian rail in Russia for rail cargo from China, and create new jobs in the remote Samtskhe-Javakheti region in southern Georgia. The project envisages the construction of twenty-nine kilometers of railroad from Akhalkalaki to the Turkish border, and rehabilitation of

192 kilometers of the existing railroad on the territory of Georgia. In January 2007 Azerbaijan agreed to lend USD 200 million to Georgia to finance the construction of its portion of the railway. Georgia will have to repay the loan at 1% interest within 25 years. Construction of the Baku-Akhalkalaki-Kars railroad is scheduled to finish by 2010.

New Free Trade Agreement with Turkey

15. The presidents of Georgia and Turkey signed a Free Trade Agreement (FTA) and a treaty on eliminating double taxation on November 21 during a Turkish-Georgian business forum in Tbilisi. The FTA is expected to further facilitate the already growing trade between the two countries, which is especially important for Georgia in light of the continuing Russian embargo on Georgian agricultural goods. According to the FTA, Georgia and Turkey will waive import tariffs on manufactured goods and on some agricultural goods. In addition, Turkey will decrease tariffs by 50%-100% within certain quotas on some Georgian agricultural goods. For example, tariffs will be completely eliminated for Georgian wine imports to Turkey (within a quota of 1 million liters), citrus (up to 4,000 tons), and vegetables (up to 1,200 tons). To protect their farmers, both countries excluded some agricultural goods from the waiver. The FTA will take effect after both countries' parliaments complete ratification.

Success Claimed for Grape and Citrus Harvest

16. The Agriculture Ministry positively assesses the results of the 2007 vintage. According to the Ministry, over 200 thousand tons of grapes were gathered in Kakheti, the main wine producing

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region of Georgia, exceeding last year's figure by 67 percent. Out of the total volume, wineries in Kakheti bought 58,000 tons, which is 2.3 times more than last year. Up to 50,000 tons were used for winemaking in local households, 15,000 tons were sold to local food businesses, while 110,000 tons were delivered to other regions of the country. Racha, another wine producing region, also marked a high yield. Wineries bought 1,070 tons of grapes there for producing red wine. Meanwhile, the citrus harvest is estimated to yield over 100 thousand tons of citrus in the western part of Georgia, three times more than last year. The government has created an ad hoc headquarters to assist local farmers with finding markets for the produce. Last year Georgia exported around 16 thousand tons of citrus, mostly to Ukraine, Azerbaijan, Armenia and Russia. Unfavorable weather conditions in citrus growing countries such as Turkey and Iran have increased Georgia's export potential this year.

TEFFT